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# PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **March 1986**

## NONMANUFACTURING CONTINUES TO PUSH ECONOMY

Backed by continued gains in the nonmanufacturing sector, **the Commonwealth economy turned in another month of moderate, but far from spectacular, growth in January.** If manufacturing holds its own, as it did during the year's first month, more of the same should occur in the near-term. It should be pointed out that **in many cases the improvements were the result of less than normal seasonal declines in the unadjusted series.**

**Resident employment in Pennsylvania rose to a record-high 5.15 million after seasonal adjustment,** surpassing the previous mark of 5.14 million set in March 1981. The 0.6 percent increase for the month is nearly identical to the nation's advance. Partly because of the employment gain in the Commonwealth, **the unemployment rate fell 0.3 percentage point to a seasonally adjusted 7.5 percent, the lowest it has been since April 1981.** Although the fall in the State's unemployment rate was slightly higher than the nation's 0.2 percentage point decline, it still left the jobless rate in the Commonwealth well above the nation's 6.7 percent.

Although it appears that the employment/unemployment situation in Pennsylvania is fairly healthy, **a problem emerges when trends in overall labor force growth are examined, an issue that is often ignored by many analysts.** As shown in the accompanying chart, labor force growth from year-ago levels in the Commonwealth has trailed national growth in 12 of the past 13 months. This pattern is the result of slower population growth relative to the nation and/or lower labor force participation rates. Should this trend continue, it is logical to expect that the State's share of economic activity to fall further.

(Our readers may have noticed that our seasonally adjusted figures for resident employment, number unemployed, and labor force differ very slightly from those released by the U.S. Bureau of Labor Statistics. The differences are attributable to our use of rounded data in applying seasonal adjustment techniques and to minor differences in computer systems. In that our figures always fall within the error ranges associated with the BLS data, we feel that they act as a good check against that data.)

A seasonally adjusted increase of 9,500 nonagricultural jobs took place in Pennsylvania establishments during January, leaving job levels at 4.8 million, the highest since March 1980. **The nonmanufacturing sector accounted for 7,900 additional positions, a 0.2 percent gain compared to the nation's 0.4 percent rise, as job levels settled at a record-high 3.72 million after seasonal adjustment,** the twelfth consecutive monthly gain in the sector. Advances were realized in construction (900 new jobs), wholesale trade (1,200), retail trade (4,400), finance, insurance, and real estate (2,400), services (2,200), federal government (400), and state and local government (1,000). Losses occurred in mining and transportation and public utilities.

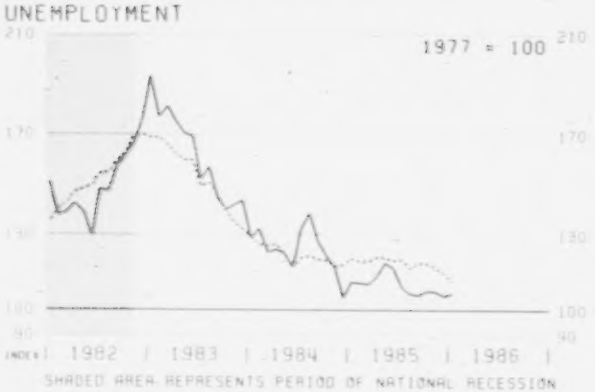
**Manufacturing turned in its second straight monthly increase in job levels.** The slight seasonally adjusted gain of 1,600 or 0.1 percent left the number of positions in the sector at 1.68 million, well below January 1985's 1.11 million. A similar increase occurred in the U.S. Increases occurred in both durable and nondurable goods industries. Other indicators of manufacturing's health, such as the average workweek, total hours worked, weekly payrolls, and

U.S. AND PA LABOR FORCE GROWTH, JAN '85-JAN '86

PENNSYLVANIA'S SHARE OF U.S. STEEL OUTPUT

TOTAL EMPLOYMENT

UNEMPLOYMENT




industrial electric power sales took a turn for the worse in January.

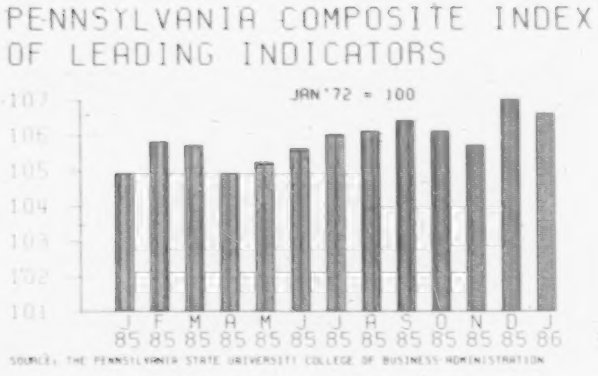
The steel industry remained in a slump as output fell a seasonally adjusted 7.8 percent on an average daily basis during January with no prolonged improvement in sight. Nationally, the decline was only 0.2 percent. The accompanying chart shows that **the Commonwealth has lost a considerable share of the steel market to other domestic producers in addition to the problems caused by imports.** Pennsylvania's share of domestic output stood in the 20-25 percent range in 1970 and 1980. During the past 13 months, the Commonwealth's share has been in the 12.5-15 percent range.

Construction contract awards, a good proxy for activity

| Economic Activity in Pennsylvania | UNADJUSTED DATA | | | SEASONALLY ADJUSTED DATA | | | SEASONALLY ADJUSTED INDEXES (1977 = 100) | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1985-86 | | 1985 | 1985-86 | | 1985 | 1985-86 | | 1985 |
| | Dec. | Jan. | Jan. | Dec. | Jan. | Jan. | Dec. | Jan. | Jan. |
| **Pennsylvania Industries** | | | | | | | | | |
| All nonagricultural industries | | | | | | | | | |
| No. of wage and salaried jobs (thous.) | 4,827 | 4,213 | 4,605 | 4,788 | 4,798 | 4,690 | 104.9 | 105.1 | 102.7 |
| Nonmanufacturing | | | | | | | | | |
| No. of wage and salaried jobs (thous.) | 3,783 | 3,647 | 3,504 | 3,714 | 3,722 | 3,575 | 115.7 | 115.5 | 110.9 |
| Manufacturing | | | | | | | | | |
| No. of wage and salaried jobs (thous.) | 1,072 | 1,064 | 1,102 | 1,074 | 1,076 | 1,115 | 80.1 | 80.2 | 83.1 |
| Ave. wkly. hrs. worked by prod. workers | 41.0 | 40.0 | n.a. | 40.7 | 40.3 | n.a. | 103.0 | 102.0 | n.a. |
| Total wkly. person-hours worked (mils.) | 29.8 | 28.7 | n.a. | 29.6 | 29.3 | n.a. | 52.1 | 76.3 | n.a. |
| Total wkly. payroll (mil. dols.) | 290.7 | 278.6 | n.a. | 286.7 | 283.7 | n.a. | 127.6 | 126.2 | n.a. |
| Steel production (thous. tons) | 849 | 859 | 999 | n.a. | n.a. | n.a. | 49.0 | 45.1 | 47.0 |
| Industrial electric power sales (mil. kwh) | 3,416 | 3,365 | 3,458 | 3,533 | 3,525 | 3,495 | 95.7 | 95.4 | 94.6 |
| Mining | | | | | | | | | |
| Anthracite coal (thous. net tons) | 328 | 306 | 282 | 299 | 360 | 330 | 61.3 | 73.7 | 67.5 |
| Bituminous coal (thous. net tons) | 5,590 | n.a. | 4,278† | 5,895 | n.a. | 4,049† | 83.6 | n.a. | 65.9† |
| Construction contracts awarded (mil. dols.) | | | | | | | | | |
| Total | 506.1 | 361.5 | 363.2* | 570.8 | 576.9 | 570.3* | 177.4 | 179.3 | 177.3* |
| Residential building | 163.1 | 139.0 | 128.1* | 242.4 | 284.9 | 273.0* | 172.9 | 206.0 | 194.0* |
| Nonresidential building | 173.9 | 89.7 | 162.3* | 180.5 | 102.2 | 187.2* | 166.4 | 94.2 | 172.5* |
| Nonbuilding (utilities and public works) | 149.8 | 132.8 | 72.8* | 146.9 | 184.8 | 110.1* | 202.7 | 255.0 | 152.0* |
| **Employment of Pennsylvania Residents** | | | | | | | | | |
| Employed, no. of persons (thous.) | 5,189 | 5,033 | 4,927 | 5,122 | 5,150 | 5,051 | 106.6 | 107.2 | 105.1 |
| Unemployed | | | | | | | | | |
| No. of persons (thous.) | 405 | 444 | 466 | 423 | 427 | 446 | 105.5 | 106.5 | 111.3 |
| Rate (percentage of labor force) | 7.8 | 8.1 | 8.9 | | | | | | |
| Rate, seasonally adjusted | | | | 7.8 | 7.5 | 8.0 | | | |
| Civilian labor force, no. of persons (thous.) | 5,544 | 5,477 | 5,393 | 5,545 | 5,577 | 5,497 | 106.5 | 107.1 | 105.6 |
| Initial claims for unemployment benefits | 175,766 | 189,342 | 212,971 | 120,953 | 129,099 | 143,129 | 84.5 | 90.2 | 100.0 |

| Consumer Prices, all items | Urban Indexes (1967 = 100) | | | Percentage Change | |
|---|---|---|---|---|---|
| | 1985-86 | | 1985 | Month Ago | Year Ago |
| | Dec. | Jan. | Jan. | | |
| U.S. city average | 327.4 | 328.4 | 316.1 | +0.3 | +3.9 |
| Philadelphia | 319.7 | 320.3 | 306.3 | +0.2 | +4.6 |
| Pittsburgh | 331.5 | n.a. | 321.1† | n.a. | +2.9 |
| Northeast PA | n.a. | 311.6 | 301.5 | n.a. | +3.3 |

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1985 benchmarks.
Total includes workers on strike. * = figure revised. † = figure for December 1984. n.a. = data not available.
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.


PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
JAN '72 = 100
107
106
105
104
103
102
101
J F M A M J J A S O N D J
85 85 85 85 85 85 85 85 85 85 85 85 86
SOURCE: THE PENNSYLVANIA STATE UNIVERSITY COLLEGE OF BUSINESS ADMINISTRATION

in the sector, rose modestly after seasonal adjustment. Total awards were valued at a seasonally adjusted $576.9 million for the month, up 1.1 percent from December. This represents the second consecutive monthly gain. Improvements in the residential building and nonbuilding categories offset a poor month in nonresidential building.

**January's moderate pace of economic growth is reflected in a slight rise of 0.3 percent in the index of coincident indicators which tracks current developments in the Commonwealth economy.** This represents the second straight increase in the economic barometer. The leading index, on the other hand, which is a good indicator of future economic trends, fell 0.4 percent after a healthy December increase. Because much of the data used in tabulating both indices is currently under revision, interpretations of these movements should be made with caution.

*William D. Anderson*

**Pennsylvania Composite Indexes**

| | Index | | Percentage Change from Preceding Month | |
|---|---|---|---|---|
| | *Leading* | *Coincident* | *Leading* | *Coincident* |
| June | 105.6 | 87.7 | 0.4 | 0.6 |
| July | 106.0 | 87.3 | 0.4 | -0.5 |
| August | 106.1 | 87.3 | 0.1 | 0.0 |
| September | 106.4 | 87.0 | 0.3 | -0.3 |
| October | 106.1 | 86.5 | -0.3 | -0.6 |
| November | 105.7 | 85.2 | -0.4 | -1.5 |
| December | 107.0 | 86.5 | 1.2 | 1.5 |
| January | 106.6 | 86.8 | -0.4 | 0.3 |

# Personal Income Report

Personal income in the Commonwealth totalled a seasonally adjusted $154.7 billion on an annual basis in the third quarter of 1985. This represents a 0.8 percent gain from the previous quarter and a 4.3 percent advance from 1984:IIIQ. Nationally, personal income stood at a seasonally adjusted $3.2 trillion on an annual basis in last year's third quarter, which translates into quarterly and annual gains of 0.7 and 5 percent respectively.

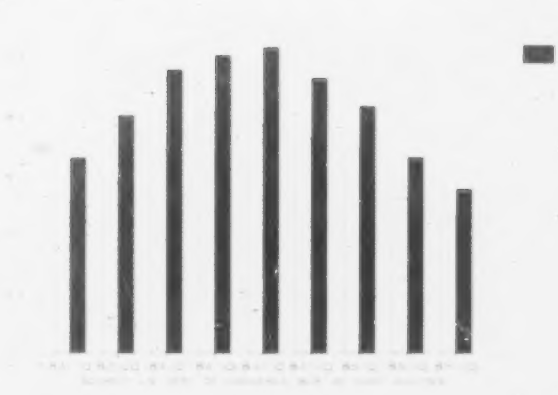
Earnings in Pennsylvania's manufacturing establishments fell a seasonally adjusted 0.6 percent from 1985:IIQ to $29.9 billion, a reflection of the sector's recent difficulties. This translates into a gain of 1.6 percent from a year ago. The nonmanufacturing sector, which has been the sole driving force behind the economy recently, realized a seasonally adjusted 1.9 percent quarterly gain in earnings to $77.2 billion. Compared to 1984:IIIQ, nonmanufacturing earnings were up 7.3 percent.

Nonfarm personal income, which may be a better indicator of overall economic trends than total personal income since it discounts the volatile farm sector, totalled $154.1 billion in the Commonwealth in last year's third quarter. As the accompanying chart shows, Pennsylvania nonfarm personal income growth from the year ago quarter has been less than the nation's growth in each of the last nine quarters for which data are available. Clearly, Pennsylvania has had recent difficulties keeping pace with the nation's economy.

Pennsylvania personal income
(seas. adj. ann. rates; millions of dollars)

| | Personal income | Pct. change Qt. ago | Pct. change Yr. ago |
|---|---|---|---|
| 1985 IIIQ | 154,736 | 0.8 | 4.3 |
| 1985 IIQ | 153,538 | 1.0 | 5.3 |
| 1984 IIIQ | 148,291 | 1.7 | 8.1 |

Source: U.S. Dept. of Commerce
Bur. of Econ. Analysis



# Retail Sales Report

Pennsylvania retail sales totalled $17.8 billion during last year's fourth quarter, a 6.5 percent gain from a year ago. This follows a 12 percent annual gain in the third quarter of 1985. For the year as a whole, retail sales in the Commonwealth rose 7 percent to $64.1 billion after a 10.6 percent 1984 gain.

Compared to the nation, where increases of 5.3 percent over the 1984:IVQ-1985:IVQ period and 6.2 percent for all of 1985 occurred, retail sales growth has been quite strong in Pennsylvania. As in the Commonwealth, there was a considerable reduction in retail sales growth at the national level between the final two quarters of last year as consumers apparently backed off when faced with heavy debt loads.

**Pennsylvania retail sales**
**(millions of dollars)**

| | Retail sales | Pct. change from yr. ago |
|---|---|---|
| 1985: IVQ | 17,786 | 6.5 |
| 1985: IIIQ | 16,288 | 12.0 |
| 1985 YTD | 64,091 | 7.0 |

December 1985 data is preliminary
Source: U.S. Dept. of Commerce
Bureau of the Census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